Ontario Lottery Corporation

Annual Report
1985 –1986

87-01420/

September 30, 1986
The Honourable John Eakins
Minister of Tourism and Recreation
77 Bloor Street West
Toronto, Ontario
M7A 2R9

Dear Mr. Eakins:

Pursuant to the provisions of the Ontario Lottery Corporation Act, I am pleased to present the annual report of the Ontario Lottery Corporation for the year ending March 31, 1986.

Yours very truly,

Walter G.D. Stothers
Chairman of the Board

Boardmembers

Walter G.D. Stothers, FCA,
Thornhill, chairman
(April 17, 1986-Feb. 16, 1989)

Sandra McKinnon Jolley,
Toronto, vice-chairman
(June 2, 1986-Feb. 16, 1989)

Mollie Callaghan,
Toronto, director
(Feb. 17, 1981-Feb. 16, 1987)

Albert Hansen,
Ottawa, director
(Oct. 29, 1981-Feb. 16, 1987)

Monique Jacques,
Kapuskasing, director
(Feb. 17, 1981-Feb. 16, 1987)

Chan Yeung Kang, LLB,
Downsview, director
(June 2, 1986-Feb. 16, 1989)

C. Ronald S. MacKenzie, MD,
St. Catharines, director
(Feb. 7, 1981-Feb. 16, 1987)

D. Norman Morris, CA,
Mississauga, president

Marvin L. Shore, CA,
London, director
(Jan. 31, 1985-Feb. 16, 1988)

1985/86 Senior Staff

Adam J. Hawkins,
executive vice-president

J. Michael Holroyde,
vice-president,
Sales and Distribution

Douglas R. Mackie,
vice-president,
Marketing

John MacNabb,
vice-president,
Computer Services

Kathy Petrik,
vice-president,
Corporate
Communications

John Van Camp,
controller

Cover Photo:
Nancy Brown, of Milton, holds her newborn baby, Kyle, delivered at Mississauga's Credit Valley Hospital which was built, thanks in part, to a lottery grant.

Chairman/President's Report

Walter G.D. Stothers

D. Norman Morris

The Ontario Lottery Corporation is pleased to report gross ticket sales topped $1 billion for the first time in fiscal year 1985/86 in another record-breaking demonstration of public support.

As a result, $320.7 million in profits were generated, an increase of $71.1 million from the last fiscal year.

Lottery profits, which have totalled $1.6 billion since 1975, are turned over to the government of Ontario for direction to a variety of worthy public projects to benefit all Ontarians.

Now firmly into its second decade of operation, the Corporation continues to be sensitive to the changing wants and needs of its players.

Of prime importance is its commitment to the people of Ontario, to provide entertaining, efficient, fair and accessible games.

During the past year, changing market demand has strengthened the performance of Lotto 6/49 and the Instant game, while other products have entered the mature stage.

The Corporation is dedicated to keeping all its games fresh and interesting and will constantly work to renew and design products according to customer wishes.

Plans to relocate corporate headquarters in Sault Ste. Marie are under way. The government of Ontario's initiative will inject millions of dollars of economic stimulation into the area. In addition, the state-of-the-art computer technology required by the Corporation will help to create a communications environment that will encourage other industries to move to north-western Ontario.

The Corporation expresses its thanks to the people behind Ontario's lotteries...the board of directors, 238 staff members, distributors and retailers.

And most of all, thanks to those loyal players, who for 11 years have supported their lotteries with such enthusiasm.

Walter G.D. Stothers
Chairman of the Board

D. Norman Morris
President

Boardmembers: from the left, Sandra McKinnon Jolley, C. Ronald S. Mackenzie, D. Norman Morris, Walter G.D. Stothers, Monique Jacques, Albert Hansen, Chan Yeung Kang and Mollie Callaghan. Absent, Marvin L. Shore.

Year in Review

Ontario lotteries begin second decade with billion dollar sales and record-setting profits

It was a time for winning and celebrating. It was a year for new games, fresh ideas and strong corporate growth. It was the year the Ontario Lottery Corporation broke the $1 billion gross sales mark and generated a record-setting $320.7 million in profits.

Just two months into the 1985/86 fiscal year the Corporation celebrated a decade of successful lotteries. And as the year came to a close, the Corporation prepared for the rebirth of its flagship game, Wintario.

The renewed game offers players the combination of an instant-win feature on every ticket along with a chance to capture thousands of regular weekly Wintario prizes.

Ontario's Instant game continued to be popular with players, recording sales of $195.2 million, an increase of $103.1 million from last year. Three instant game versions, Match 3 Doubles, Grand Prix and Match 3 Sweeps, saw finalists compete for $1 million grand prizes in live television sweeps shows. The popularity of these games was illustrated with average weekly sales of $3.8 million.

For the first time the Ontario Lottery Corporation combined forces with the Canadian National Exhibition – the world's largest annual fair – and offered free admission to players presenting five Lucky 5's tickets. Through a Toronto newspaper promotion, tickets were collected and used to provide a free day at the CNE for the community's less fortunate. The idea worked so well, it was repeated in 1986.

The on-line game, Lotto 6/49, was a strong performer, reaching peak weekly sales during the fiscal year of over $26.7 million.

Lottario, the world's first on-line game, held its own during the first half of the year. Sales were affected, however, by Lotto 6/49's move to a twice-weekly format in September 1985. It was the first major indication of one game suffering as a result of another.

Lotto 6/49, with $385.2 million in sales, was the Corporation's top performer and is run jointly with the other Canadian provinces through the Interprovincial Lottery Corporation. For the third January in a row, the game produced a $10-million-plus Jackpot generating record sales in Ontario and keen interest in the luck of the lottery.

Provincial and Super Loto, the two other interprovincial games, offered over $10 million and $23 million in bonus prizes respectively. A Super Loto commercial created for the summer 1985 bonus draw won the gold award in the 'Bessies', sponsored by the Television Bureau of Canada and Broadcast Executive Society.

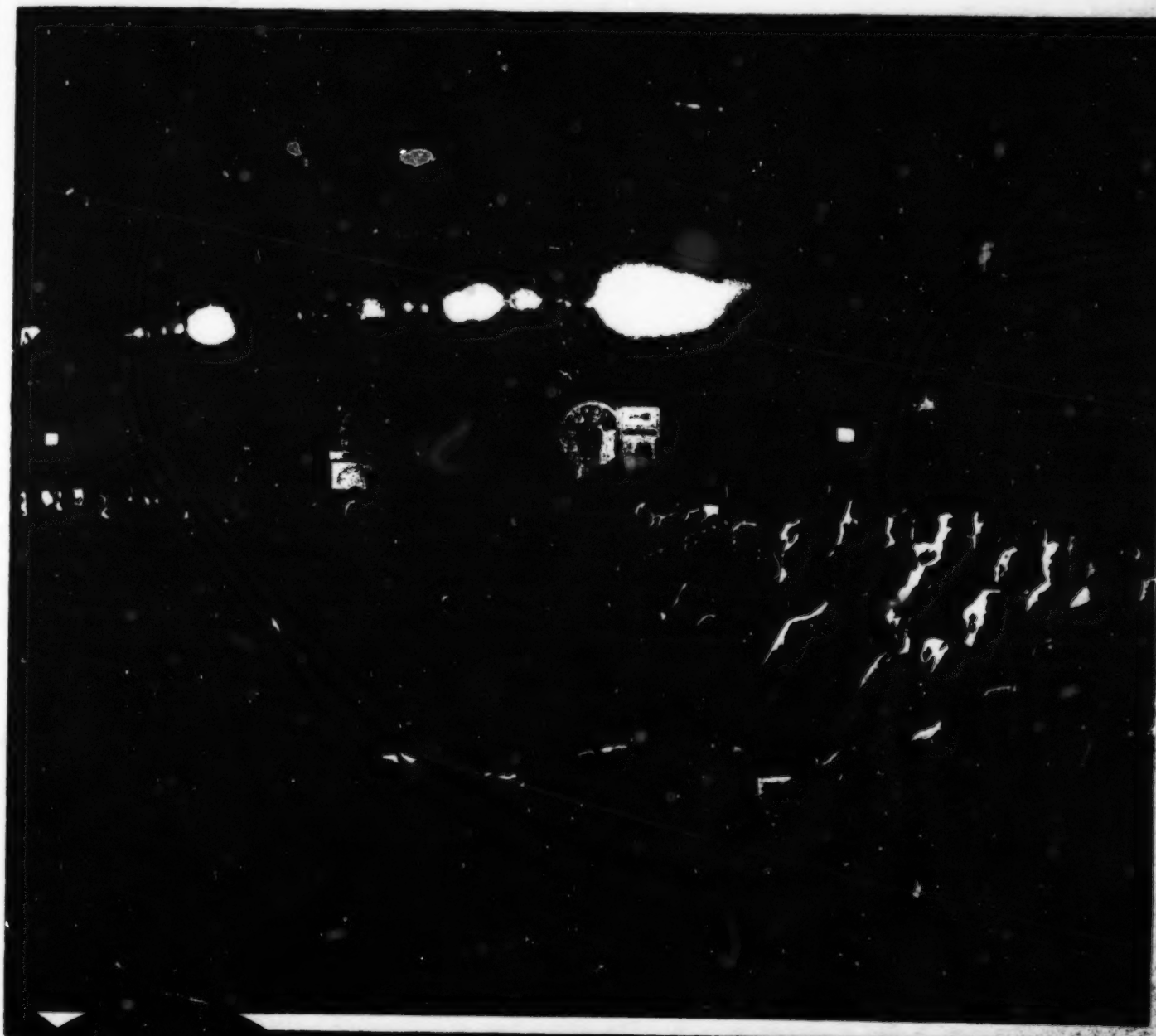
Again this year the Ontario Lottery Corporation celebrated the Yuletide with Tri-Pack, a holiday promotion offering a $20 package of five Wintario tickets, one Provincial and one Super Loto with an added bonus record album 'The Sounds of Christmas'.

And to make winning a truly rewarding and relaxed experience, the Corporation released its Winners' Handbook in December. With information on general investment options for major winners and tips of handling the news media and donation requests, the handbook generated positive public and media feedback.

Continuing its commitment to communication with the people of Ontario, the Corporation's speakers' bureau experienced the busiest season in its five-year history. Corporation executives told the lottery story in 27 communities across Ontario. The travelling information display, which explains the Corporation's lotteries and how profits are used, visited 37 various sites including Toronto's Canadian National Exhibition. This dialogue with the public helps the Corporation to gauge, and meet, the wants and needs of its players.

Eleven Year Review – Operating Highlights ($ Millions)

	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83
Sales	97.1	218.8	240.4	235.1	323.8	488.3	686.9	
Commissions	12.5	22.4	24.2	22.5	28.3	41.2	41.4	
Prizes	35.1	85.5	108.3	123.9	182.7	308.8	371.9	
Total Operating Expenses	6.0	10.1	11.4	14.5	22.2	26.7	45.0	
Interest	.3	2.0	1.9	2.5	4.3	6.7	7.8	
Net Profit/ Transfer	43.3	97.8	93.4	82.6	89.7	104.9		
	1	2	2	3	3			



hundreds of Ontario communities during the last 11 years.

	Gross sales	$141.0 million
	Net profit	$ 19.9 million
	Gross sales	$196.8 million
	Net profit	$ 59.1 million
	Gross sales	$195.2 million
	Net profit	$ 58.1 million
	Ontario gross sales	$ 44.7 million
	Ontario net proceeds	$ 14.6 million
	Ontario gross sales	$ 45.0 million
	Ontario net proceeds	$ 12.0 million
	Ontario gross sales	$265.2 million
	Ontario net proceeds	$118.9 million

Lottery tickets are sold by some 12,000 retailers throughout Ontario.

Lotto 6/49 appeals to people of almost all ages, from young adults to senior citizens.

Winners

More than 46 million prizes awarded this year

The place is Beamsville. Rural Ontario...stately old homes, lush farmland and friendly people.

This is the place Gail and Butch Mista call home. They're just two of the millions of Ontario lottery winners, but their story has a strange twist.

This year this couple almost threw out their chance to claim a Lottario prize of $54,673.90. They decided to double check some lottery tickets they found in an old shoe box.

"It was there in black and white, but I still couldn't believe it," Mrs. Mista told a local newspaper reporter after the delightful discovery.

The Mistas' win was heightened by the element of surprise. But it's the prospect of winning any prize that makes playing lotteries so much fun.

During the 1985/86 fiscal year, the Ontario Lottery Corporation offered $510.9 million in prizes bringing the 11-year total to over $2.6 billion.

These prizes – 200 million of them – included everything from a free ticket to millions of dollars. Last year alone, 29 Ontarians became lottery millionaires.

The winner of the fiscal year's largest prize was Jean Viau, the 22-year-old shoe factory worker from Green Valley. His win of more than $10 million in the January 11, 1986 Lotto 6/49 draw gave him the chance to marry his high-school sweetheart, buy a house and a candy-apple-red Corvette sports car.

He knew he was the lucky winner 10 minutes after the draw, but waited 10 days before telling the world he had won the third-largest lottery prize in Canadian history.

What happens to these people once they become lottery winners? For almost all of them, life goes on much as it did before their win.

A survey done by the Ontario Lottery Corporation shows almost 90 per cent of major winners return to work following their win and 91.4 per cent said they were treated fairly by the news media. The research shows only 2.6 per cent of major winners reported problems with solicitations.

But you don't have to become a multi-millionaire to experience an unusual win.

Take the case of Etobicoke's Chris Thompson who claimed a $50,000 lottery prize by slipping the ticket under the door of the Corporation's Prize Office on the final claiming day.

Mr. Thompson was visiting relatives in London one Saturday, when he found an old Provincial ticket in his wallet. He drove to the nearest shopping mall to check the winning numbers and discovered his win. But time was of the essence. As luck would have it, the draw was exactly a year ago and it was the final claiming day. Mr. Thompson drove to the Prize Office, but discovered it was closed. He slipped the winning ticket under the door and collected his cheque three days later...with an audible sigh of relief.

oct. 1986

7 nov. 1986

14 nov. 1986

,673.90 on an old Lotario ticket they
covered in a shoe box.

Grants

In the past 11 years, Ontario lotteries have generated more than $1.6 billion in profit

A tiny baby fights for life in the intensive care unit of an Ontario hospital.

In a hushed auditorium a group of school children enjoy their first taste of classical music.

Two young hockey players race for the puck inside a chilled arena.

There is a common denominator. All of these scenes show lottery-based grants at work across the province helping millions of Ontarians.

Young and old, steelworkers and surgeons, homemakers and hospital employees have all been the beneficiaries of lottery dollars.

In fiscal 1985/86, Ontario lotteries generated a record $320.7 million in profit, bringing the 11-year total to more than $1.6 billion.

Across Ontario, lottery grants have been put to work in art galleries, arenas, research labs and on little league ball diamonds, strengthening the social fabric of Canada's heartland.

Through the Ontario Ministry of Tourism and Recreation about $56 million in grants was allocated for sports, fitness and recreation during this fiscal year.

Meanwhile, the Ontario Ministry of Citizenship and Culture designated more than $55 million for arts, heritage, library and citizenship grants.

The government of Ontario spent more than $38.2 million in lottery funds this fiscal year to help build and expand hospitals.

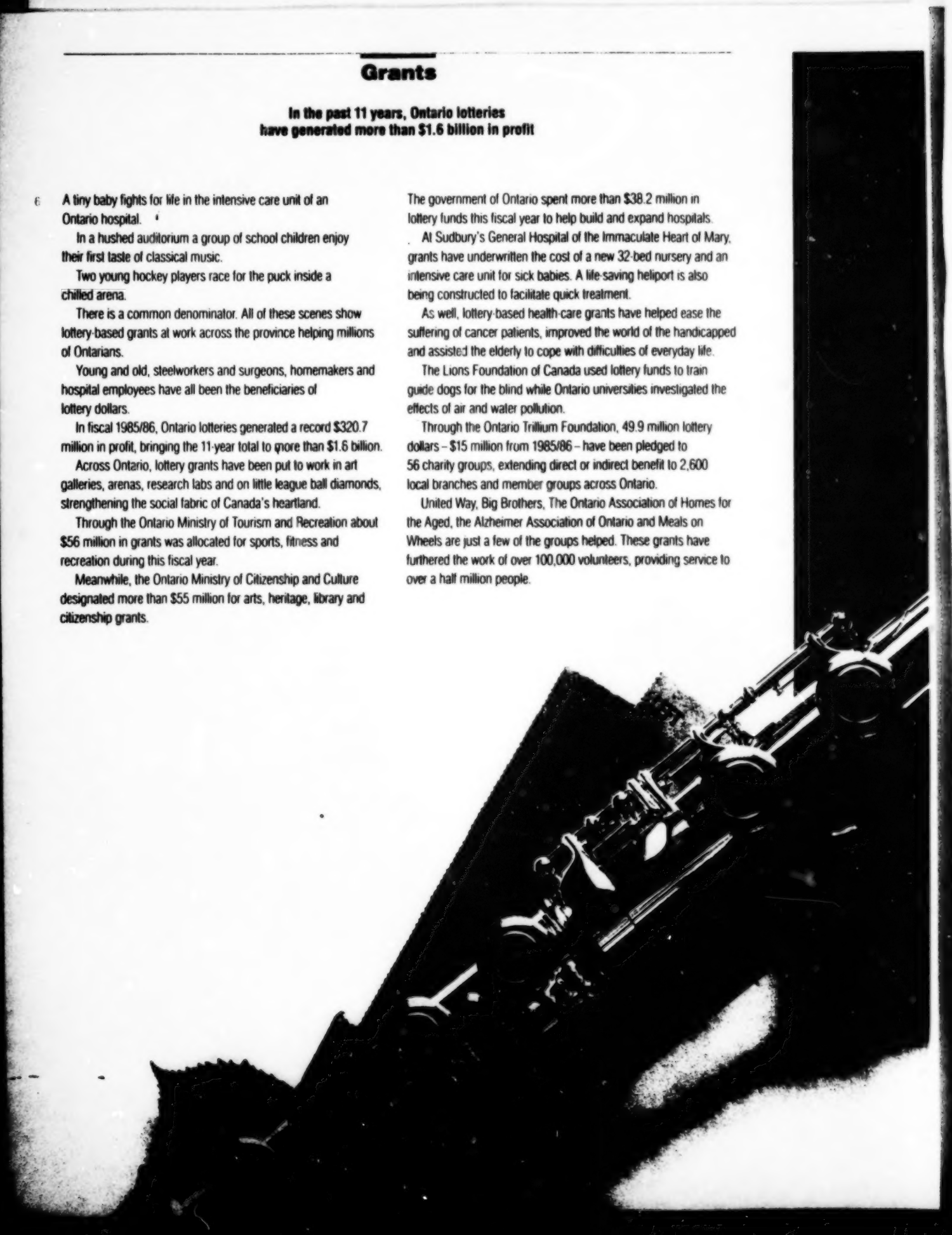
At Sudbury's General Hospital of the Immaculate Heart of Mary, grants have underwritten the cost of a new 32-bed nursery and an intensive care unit for sick babies. A life-saving heliport is also being constructed to facilitate quick treatment.

As well, lottery-based health-care grants have helped ease the suffering of cancer patients, improved the world of the handicapped and assisted the elderly to cope with difficulties of everyday life.

The Lions Foundation of Canada used lottery funds to train guide dogs for the blind while Ontario universities investigated the effects of air and water pollution.

Through the Ontario Trillium Foundation, 49.9 million lottery dollars – $15 million from 1985/86 – have been pledged to 56 charity groups, extending direct or indirect benefit to 2,600 local branches and member groups across Ontario.

United Way, Big Brothers, The Ontario Association of Homes for the Aged, the Alzheimer Association of Ontario and Meals on Wheels are just a few of the groups helped. These grants have furthered the work of over 100,000 volunteers, providing service to over a half million people.



The Hamilton Philharmonic Orchestra, the recipient of several lottery grants, helps thousands enjoy the magic of music. Here, French horn player, Sandra Donatelle, relaxes after a concert.

Fitness has long been a beneficiary of lottery-funded grants.

Lottery grants have helped preserve Ontario native culture.

Distribution of Gross Sales

A record $1.007 billion in gross sales generated net profits of $320.7 million

In the 1985/86 fiscal year, the Corporation recorded gross sales of $1.007 billion, $195.8 million more than the previous year.

This sales increase created a rise in net profits to $320.7 million which was turned over to the Ontario government for use in various grant programs.

Prizes reached $510.9 million, representing 50.7 per cent of gross sales. Prizes ranged from free tickets right up to $10 million.

Unclaimed prize money (Ontario-only games) at $41.9 million was down $1.7 million from last year. For financial reporting purposes, all unclaimed prize money is combined under the heading 'unclaimed prizes'. Half this figure represents prizes from recent draws for which there has been insufficient time for winners to claim their prizes. Only 2.0 per cent is from draws which have actually expired. These funds are available for bonus draws.

Commissions provided important income for some 12,500 ticket retailers and 47 independent distributors. At $75.4 million, commissions rose $14.8 million in fiscal 1985/86 because of increased sales.

Retailers receive a commission of eight per cent for selling Wintario and Instant tickets and five per cent for other games. Prize redemption fees are also paid. Distributors receive one per cent commissinn on Instant tickets, an average of 2.5 per cent on Wintario, Provincial and Super Loto and a weekly service fee of $3 per terminal for delivering supplies to on-line lottery terminals in their territory.

Operating costs of $107.2 million comprise three areas: game administration, equipment and building plus payment to the federal government.

Game administration expenses of $57.0 million, which include advertising, ticket printing, salaries and benefits, rent, etc., fell one percentage point to 5.6 per cent of gross sales.

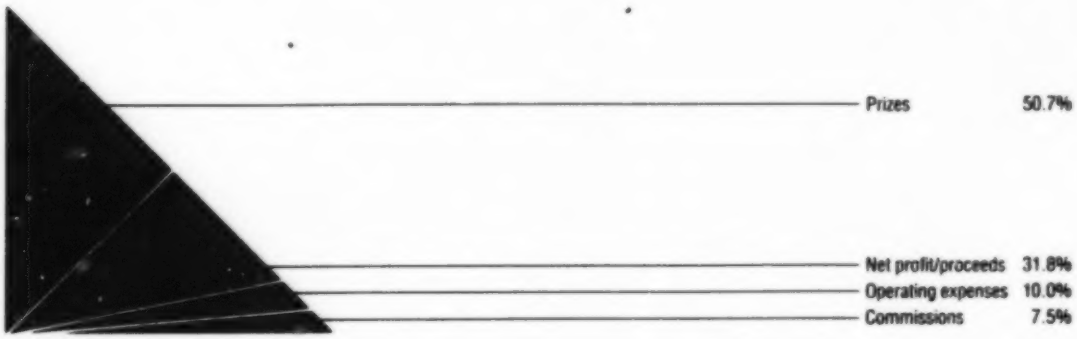
Equipment and building costs were $24.5 million. These funds helped underwrite new data centre facilities and continued improvements to the on-line terminal network to better serve players in every corner of the province.

The payment of $25.7 million to the federal government was $9.7 million higher than the previous year.

In 1979, the federal government agreed to withdraw from the lottery field in return for quarterly payments from the provinces. Ontario's share for the fiscal year was $13.5 million.

In a second federal-provincial agreement in 1985, the federal government agreed to stay out of the gaming and betting field. For this, the provinces agreed to provide an additional $100 million to the federal government in three equal installments. Ontario's share of this payment was $12.2 million.

DISTRIBUTION OF SALES



Ontario Lottery Corporation

(Incorporated Without Share Capital
Under the Ontario Lottery Corporation Act)

Balance Sheet

as at March 31, 1986

Assets	1986 ($000's)	1985 ($000's)
Current assets		
Cash	32,277	20,570
Prize funds	41,856	43,596
Due from Interprovincial Lottery Corporation	3,019	3,925
Accrued interest	800	455
Accounts receivable	8,260	3,225
Prepaid expenses	38	313
	86,250	72,084
Liabilities		
Current liabilities		
Prize money unclaimed	41,856	43,596
Net profits/proceeds due to the Treasurer of Ontario (notes 3 and 4)	7,834	4,137
Accounts payable and accrued liabilities	19,950	16,667
Due to Government of Canada (note 5)	3,000	3,000
Deferred income (note 1(b))	13,610	4,684
	86,250	72,084

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

Ontario Lottery Corporation

Statement of Net Profits/Proceeds due to the Treasurer of Ontario

for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Balance, beginning of year	4,137	4,560
Net profits/proceeds for the year		
Lotto 6/49	156,908	98,615
Lottario	59,128	66,900
Instant	58,087	26,819
Wintario	19,923	28,618
Provincial	14,636	15,745
Super Loto	12,015	12,880
	320,697	249,577
Less payments to the Treasurer of Ontario on account of net profits/proceeds:		
Lotto 6/49 (note 4)	155,000	98,000
Lottario (note 3)	59,000	67,000
Instant (note 3)	57,000	26,000
Wintario (note 3)	20,000	29,000
Provincial (note 4)	14,000	16,000
Super Loto (note 4)	12,000	14,000
	317,000	250,000
Balance, end of year		
Lotto 6/49	2,732	824
Lottario	340	212
Instant	2,704	1,617
Wintario	1	78
Provincial	1,523	887
Super Loto	534	519
	7,834	4,137

See accompanying notes to financial statements.

Ontario Lottery Corporation
Statement of Operations
for the year ended March 31, 1986

	1986 ($000's)	1985 ($000's)
Cash ticket sales	946,449	759,452
Free tickets	61,381	52,522
	1,007,830	811,974
Less commissions – retailers and distributors	75,399	60,612
	932,431	751,362
Prizes		
Lottario	98,389	105,053
Instant – cash	80,882	39,603
– free tickets	19,466	7,920
Wintario – cash	57,741	64,380
– free tickets	33,055	35,196
	289,533	252,152
Cost of tickets (note 2)		
Lotto 6/49	173,007	112,674
Provincial	22,217	22,897
Super Loto – cash	17,348	18,409
– free tickets	8,860	9,406
	221,432	163,386
Operating expenses		
Payments to Government of Canada (note 5)	25,666	15,918
Administration and other expenses	24,557	21,625
Equipment and building	24,517	22,070
Advertising	20,684	22,074
Ticket printing	11,755	10,046
	107,179	91,733
Operating income	314,287	244,091
Interest	6,410	5,486
Net profits/proceeds for the year	320,697	249,577

See accompanying notes to financial statements.

Ontario Lottery Corporation
Notes to Financial Statement
March 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition.

(b) Deferred income

Revenues received net of expenses incurred for draws held subsequent to March 31st are deferred.

2. PROVINCIAL, SUPER LOTO AND LOTTO 6/49

The Provincial, Super Loto and Lotto 6/49 lotteries are joint undertakings by all Provinces acting through the Interprovincial Lottery Corporation, a company whose shares are held by Her Majesty the Queen in right of the Provinces. Ontario Lottery Corporation is the regional marketing organization for these games in Ontario. The Corporation purchases tickets for the three games from the Interprovincial Lottery Corporation and manages their sale throughout the Province.

The cost of tickets is composed of Ontario's proportional share of prizes based on the number of tickets sold, plus their proportional share of the operating expenses net of interest income of the Interprovincial Lottery Corporation.

3. NET PROFITS – WINTARIO, LOTTARIO AND INSTANT

Pursuant to section 9 of the Ontario Lottery Corporation Act, the net profits of the Corporation are payable into the Consolidated Revenue Fund of the Province.

4. NET PROCEEDS – PROVINCIAL, SUPER LOTO AND LOTTO 6/49

Pursuant to Order in Council 226/83, the net proceeds of the Corporation from Interprovincial Lottery Corporation games are payable into the Consolidated Revenue Fund of the Province to be held in trust.

5. PAYMENTS TO GOVERNMENT OF CANADA

An agreement made in August 1979 between the Government of Canada and the Provinces stipulated that the Government of Canada would withdraw from the sale of the lottery tickets effective December 31, 1979. Effective January 1, 1980, the agreement required the Provinces to remit quarterly to the Government of Canada the sum of $6 million, appropriately adjusted to reflect the effects of inflation. The Provinces agreed to share this cost based on a formula which took into account the population and disposable income. Ontario's share of the payment for the fiscal year ended March 31, 1986 amounted to $13.5 million.

On June 3, 1985, a second agreement made between the Government of Canada and the Provinces specified that the Government of Canada would refrain from reentering the field of gaming and betting. The agreement required the Provinces to remit to the Government of Canada $100 million to be paid in three equal installments on or before December 31, 1985, 1986 and 1987. The Provinces have agreed to share these payments based on the formula used for the first agreement. Ontario's share of this payment to the end of March 31, 1986 was $12.2 million.

6. COMMITMENTS

Operating Leases

The Corporation occupies office space at various locations under operating leases expiring over terms varying from one to nine years. The annual minimum rentals for the next nine years are as follows:

	($000's)
1986-87	577
1987-88	540
1988-89	540
1989-90	540
1990-91	682
1991-95	3,102

7. INCOME TAXES

As a Crown corporation of the Province of Ontario, the Corporation is exempt from income taxes and accordingly no provision is required.

8. SUBSEQUENT EVENTS

On July 8, 1986, the government announced its intention to relocate the majority of the Corporation's operations to Sault Ste. Marie. The financial effect of this move cannot be reasonably estimated at this time.

Ontario

Office of the
Provincial
Auditor

To the Board of Directors of the Ontario Lottery Corporation and to the Minister of Tourism and Recreation.

I have examined the balance sheet of the Ontario Lottery Corporation as at March 31, 1986 and the statements of operations and net profits/proceeds due to the Treasurer of Ontario for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policy described in Note 1a to the financial statements, applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Corporation and to the Minister.

Douglas Archer

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario
August 1, 1986

Ontario Lottery Corporation

2 Bloor Street West
Toronto, Ontario
M4W 3H8
(416) 961-6262

Winning Numbers
Wintario (416) 870-9170
Lottario (416) 870-9122
Provincial (416) 870-9161
Super Loto (416) 870-9135
Lotto 6/49 (416) 870-9134

An Agency Of:

Ontario

Ministry of Tourism and Recreation

John Eakins
Minister
James W. Keenan
Deputy Minister

Wintario

Instant

Provincial

Super Loto

Lotto 6/49